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GENERAL

1. Reported Soviet offer to discuss military sales to India:

Soviet ambassador Menshikov's reported offer to discuss the sale of military equipment to India should the United States decide to arm Pakistan is probably a Soviet propaganda maneuver. The Soviet ambassador reportedly indicated that the materiel could be imported under the terms of the Indo-Soviet agreement of 2 December.

This offer is unlikely to be seriously considered by India, which can foresee the obvious problems of continued replacement, maintenance, and training, as well as the effect acceptance would have on its policy of neutrality.

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FAR EAST

2. Chinese Nationalists favor Magsaysay as leader of Pacific alliance:

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Taipei believes that an anti-Communist Pacific alliance must be formed within the next six months to meet increasing Communist activity, according to the Chinese Nationalist ambassador to Manila. He told an American embassy officer that Philippine president-elect Ramon Magsaysay "can and must" provide the necessary leadership.

The Nationalist ambassador thought it essential for Magsaysay to visit Formosa, Korea and Japan early in 1954, and said that Chiang Kai-shek would invite him to Formosa if assured of his acceptance.

Comment: Following their talks in Taipei last month, Chiang and Syngman Rhee appealed to the governments and peoples of non-Communist Asia to "organize a united anti-Communist front." A South Korean delegation touring Southeast Asia is now being advised by Seoul to suggest an anti-Communist Asian conference in January.

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This is the first suggestion that Taipei and Seoul regard Magsaysay as the anti-Communist leader in the Far East most likely to gain wide popular support.

SOUTHEAST ASIA

3. Bao Dai reportedly has asked Vietnamese premier to resign:

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Bao Dai's principal aide told the American chargé in Saigon on 13 December that Premier Tam has been asked to resign in favor of the Vietnamese representative in Paris, Buu Loc.

Later Tam told the chargé that he would refuse to resign. The chargé comments, however, that after some face-saving agreement, Tam will probably be replaced.

Comment: Buu Loc is respected in Vietnam as a nationalist and is loyal to Bao Dai. A number of reports state that the next premier will be the defense minister, Phan Huy Quat, who would also give Bao Dai a government free of the charge of being pro-French.

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NEAR EAST - AFRICA

5. French in Iran antagonistic toward Zahedi:

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[REDACTED] Ambassador Henderson reported on 14 December that he is troubled by the French attitude toward the Zahedi government. The French embassy has shown dissatisfaction and "sneering cynicism" since the formation of the new government last August and during the past week, under the leadership of the ambassador, has more actively criticized and ridiculed the Zahedi regime.

Comment: France has traditionally exercised considerable cultural influence in Iran, where it has many friends. Accordingly, French antipathy toward the Zahedi regime may become another factor tending to weaken it.

The present French attitude may be partly due to annoyance at the recent award of a contract for a major Iranian dam and power project to an American firm.

6. Egyptian decision to adopt neutralist program reportedly imminent:

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[REDACTED] [REDACTED] the Egyptian Revolutionary Command will probably formally adopt before 19 December a neutralist, "anti-imperialist program" as a result of Britain's refusal to make additional concessions on a Suez settlement.

The proposed program includes a declaration of neutrality, withdrawal of Egypt's offer to make the Suez base available to the West, and a propaganda campaign designed to block Western military agreements with other Arab states. Egypt would also reportedly undertake "harassing action" against British troops in the canal zone and impose an economic boycott against Britain.

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Comment: The military regime's frustration over its inability to obtain a Suez settlement on its terms or American economic aid has resulted in increasing discussion of neutralism. Egypt's leaders may feel forced to turn to such a policy if economic aid is not received. The present publicity that Egypt is giving to the possibility of its future neutrality, however, still probably reflects in part a desire to influence US action.

According to a 14 December report from London, British officials have indicated that Britain intends to maintain its position on the questions of uniforms and availability of the base.

WESTERN EUROPE

7. Adenauer fears proposed Berlin conference may delay EDC action:

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[REDACTED] In a discussion with Secretary Dulles on 13 December of the factors delaying French EDC ratification, Chancellor Adenauer expressed confidence that the Saar problem

would be solved. He expressed concern, however, over the opportunity for delay presented by the projected four-power meeting in Berlin, fearing that the French would succumb to Soviet stalling tactics.

Adenauer added that if the meeting could be terminated in four to five weeks, the West would "be well out of it." If the meeting should result in an impasse, he said, it would be very important that public opinion, especially in France, should see the failure as the result of Soviet obstructionism.